



**The Siam Cement Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q2/23 and H1/23**

Q2/23 earnings reported at 8,082 MB, decreased -51% q-o-q mainly due to one-time gain from fair value adjustment of investment in SCG Logistics in the previous quarter

Consolidated Financial Performance

SCG reported Q2/23 Revenue from Sales of 124,631 MB, a decrease of -3% q-o-q. By business segment, Revenue from Sales decreased at Cement-Building Materials and Packaging businesses. On the other hand, Chemicals' sales revenue increased from higher sales volume. EBITDA registered 19,953 MB, increasing +64% q-o-q mainly from seasonal dividend. Profit for the Period reported at 8,082 MB, decreasing -51% q-o-q mainly attributed to the one-time gain from fair value adjustment of investment in SCG Logistics following SCGJWD Logistics merger transaction in the previous quarter. Profit excluding extra itemsⁱ would have been 5,216 MB, which increased +14% q-o-q, mainly due to seasonal dividend income from the investment business (automotive business).

On a y-o-y basis, SCG reported Q2/23 Revenue from Sales decreasing -18% y-o-y due to lower Revenue from Sales in all businesses mainly from lower chemical product prices. EBITDA dropped -20% y-o-y, and Profit for the Period decreased -19% y-o-y. Profit excluding extra items would have been -49% y-o-y largely attributable to lower spreads and equity income in Chemicals business, as well as dividend shift in the investment business (automotive business), resulting in dividend in Q2/22 being abnormally high.

For the period of H1/23, Revenue from Sales decreased -17% y-o-y to 253,379 MB due to lower sales revenue across all businesses driven by softer market demand. As a result of lower sales volume and dividend at Chemicals business, EBITDA dropped -24% y-o-y to 32,123 MB. Profit for the Period registered at 24,608 MB, an increase of +31% y-o-y from the one-time gain from fair value adjustment of investment, while Profit excluding extra items would have been 9,786 MB, decreasing -49% y-o-y.

Packaging business (SCGP) reported H1/23 Revenue from Sales of 65,945 MB, a decrease of -12% y-o-y. EBITDA registered at 9,155 MB, a drop of -12% y-o-y and Profit for the Period reported at 2,705 MB, decreasing -23% y-o-y.

Table 1 - Consolidated financial summary

	<u>Q2/23</u>	% Change	% Change	<u>H1/23</u>	% Change
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	124,631	-18%	-3%	253,379	-17%
Profit for the Period	8,082	-19%	-51%	24,608	31%
Profit excluding extra items	5,216	-49%	14%	9,786	-49%
EBITDA	19,953	-20%	64%	32,123	-24%
EBITDA from Operations	13,938	-19%	16%	25,996	-22%
Earnings per Share (Baht)	6.7	-19%	-51%	20.5	31%
Dividend Summary	<u>H1/23</u>	<u>H1/22</u>	<u>FY2022</u>		
Baht Per Share	2.5	6.0	8.0		
Payout Ratio (% of Profit for the period)	12%	38%	45%		
Payout Ratio (% of Profit excluding extra items)	31%				
Note :	EBITDA	= Earnings and dividends, before interest, tax, depreciation & amortization.			
	EBITDA from Operations	= Earnings before interest, tax, depreciation & amortization.			
	Profit for the Period	= Profit for the period attributable to owners of the Company.			
	Profit excluding extra items	= Profit for the period exclude non-recurring items of business which are non-cash.			

ⁱ The extra items are non-recurring items which are non-cash.

The extra items in Q2/23 include: gain from fair value adjustment of investment in Investment business = 2,866 MB

**Equity Income
registered at 4,688 MB
in H1/23, -31% y-o-y**

Equity income in H1/23 registered at 4,688 MB, a decrease of -31% y-o-y. The chemicals portion accounted for 39% of the total equity income, or 1,813 MB, decreasing 1,184 MB y-o-y, while the non-chemicals portion accounted for the remaining 61% or 2,875 MB, representing a decrease of 896 MB y-o-y.

Total dividends received in H1/23 amounted to 7,858 MB, decreasing -35% y-o-y, with details as follows: a) 6,127 MB from “Associated” companies (20% - 50% stake), and b) 1,731 MB from “Other” companies (less than 20% stake).

**Cash & Cash Under
Management of
95,576 MB**

Continued solid financials, with cash & cash under management of 95,576 MB, compared to 94,100 MB in Q1/23.

Net Working Capital registered at 107,097 MB, an increase of +3% q-o-q, while inventory turnover period increased to 71 days, compared to 68 days in the previous quarter (Q1/23).

**2.5 Bt/Sh Interim
dividend**

The Board of Directors of SCG has approved a H1/23 interim dividend payment of 2.5 Bt/Sh (3,000 MB), which is payable on Aug 25/23 (XD-date on Aug 9/23, and record date on Aug 10/23).

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Table 2 - Segments

	Q2/23	Change	Change	H1/23	Change
Revenue from Sales	MB	% Y-o-Y	% Q-o-Q	MB	% Y-o-Y
Consolidated SCG	124,631	-18%	-3%	253,379	-17%
Cement-Building Materials Business	46,432	-12%	-9%	97,232	-6%
SCG Cement and Green Solutions	21,340	-2%	-7%	44,178	1%
SCG Smart Living	6,247	4%	-7%	12,956	8%
SCG Distribution & Retail	31,049	-8%	-6%	64,025	-3%
Chemicals Business (SCGC)	48,755	-27%	4%	95,560	-30%
Packaging Business (SCGP)	32,216	-15%	-4%	65,945	-12%
Others	361	-8%	-15%	786	-4%
EBITDA	Q2/23	% Y-o-Y	% Q-o-Q	H1/23	% Y-o-Y
Consolidated SCG	19,953	-20%	64%	32,123	-24%
Cement-Building Materials Business	5,069	-14%	0.7%	10,104	-15%
SCG Cement and Green Solutions	3,061	-0.7%	-3%	6,222	-7%
SCG Smart Living	781	25%	16%	1,455	14%
SCG Distribution & Retail	456	-35%	401%	547	-51%
Chemicals Business (SCGC)	5,972	-40%	144%	8,417	-47%
Packaging Business (SCGP)	4,681	-15%	5%	9,155	-12%
Others	4,385	-11%	N/A	4,699	-20%
EBITDA from Operations	Q2/23	% Y-o-Y	% Q-o-Q	H1/23	% Y-o-Y
Consolidated SCG	13,938	-19%	16%	25,996	-22%
Cement-Building Materials Business	4,598	-15%	-9%	9,633	-16%
SCG Cement and Green Solutions	3,061	0.4%	-3%	6,222	-6%
SCG Smart Living	746	34%	11%	1,420	17%
SCG Distribution & Retail	20	-94%	-78%	111	-85%
Chemicals Business (SCGC)	2,669	-39%	14%	5,005	-44%
Packaging Business (SCGP)	4,681	-15%	5%	9,152	-12%
Others	2,144	-36%	583%	2,458	-42%
EBITDA Margins (%)	Q2/23	Q2/22	Q1/23	H1/23	H1/22
Consolidated SCG	11%	11%	9%	10%	11%
Cement-Building Materials Business	10%	10%	10%	10%	11%
SCG Cement and Green Solutions	14%	14%	14%	14%	15%
SCG Smart Living	12%	9%	10%	11%	10%
SCG Distribution & Retail	0.1%	1%	0.3%	0.2%	1%
Chemicals Business (SCGC)	5%	7%	5%	5%	7%
Packaging Business (SCGP)	15%	14%	13%	14%	14%
Profit for the Period	Q2/23	% Y-o-Y	% Q-o-Q	H1/23	% Y-o-Y
Consolidated SCG	8,082	-19%	-51%	24,608	31%
Cement-Building Materials Business	1,250	-35%	-91%	14,713	234%
Chemicals Business (SCGC)	741	-80%	-45%	2,097	-71%
Packaging Business (SCGP)	1,485	-20%	22%	2,705	-23%
Others	5,091	26%	505%	5,933	5%

Note: EBITDA = Earnings and dividends, before interest, tax, depreciation & amortization.
EBITDA from Operations = Earnings before interest, tax, depreciation & amortization.
EBITDA Margins = Operating EBITDA, to Revenue from Sales.
Profit for the Period = Profit for the period attributable to owners of the Company.
Consolidated SCG's financial statement is presented after the intersegment elimination.
FY2022 figures are after restatement of New S-curve business from Cement-Building Materials to Others

Business Segments

Cement-Building Materials Business

In Q2/23, Revenue from Sales of the Cement-Building Materials Business registered at 46,432 MB, a decrease of -12% y-o-y. The reason for the decline in sales was mainly due to changes in the status of SCG Logistics from subsidiary to associate company following SCGJWD Logistics merger transaction in Q1/23 as well as softer economic situation in ASEAN region outside Thailand. EBITDA registered 5,069 MB, a decrease of -14% from the same period of the previous year. Profit for the Period registered 1,250 MB, a decrease of -35%. The main reason for the decline in performance was the economic slowdown in regional markets.

In Q2/23, Sales decreased -12% y-o-y mainly from changes in the status of SCG Logistics and economic slowdown in ASEAN outside Thailand

Domestic grey cement demand +1% in Q2/23, while demand in regional markets were softening

In H1/23, Revenue from Sales registered at 97,232 MB, decreasing -6% y-o-y. EBITDA was 10,104 MB or a decrease of -15% y-o-y, while Profit for the Period registered at 14,713 MB or increased 10,302 MB y-o-y.

By business segment, the results were as follows:

- Revenue from Sales of SCG Cement and Green Solutions business in Q2/23 registered 21,340 MB, a decrease of -2% y-o-y. EBITDA registered 3,061 MB, flat y-o-y. Thailand's total domestic grey cement demand increased +1% y-o-y, where infrastructure projects are the key engine to drive market growth. Cement demand from the government sector (accounting for 44% of total demand volume) was the key driver for market growth, while demand from residential and commercial sectors (accounting for 56% of total demand volume) were rather stable compared to the previous year. Meanwhile, the average grey cement price in Q2/23 increased to the average of 2,100 - 2,150 Bt/ton. In H1/23, Revenue from Sales of SCG Cement and Green Solutions business registered at 44,178 MB, or increased +1% y-o-y. EBITDA was 6,222 MB, a decrease of -7% y-o-y.
- In Q2/23, Revenue from Sales of SCG Smart Living business registered 6,247 MB, an increase of +4% y-o-y. EBITDA registered 781 MB, an increase of +25% y-o-y despite shrinking market demand. This was due to higher margin from High-Value Added Products and Services (HVA). Thai building materials market dropped -2% y-o-y from the medium-to-low-income segment, while medium-to-high segment, project segment, and demand in tourist destinations continued to grow. In H1/23, Revenue from Sales of SCG Smart Living business registered at 12,956 MB, increasing +8% y-o-y. EBITDA was 1,455 MB or increased +14% y-o-y.
- In Q2/23, Revenue from Sales of Distribution & Retail business registered at 31,049 MB, a decrease of -8% y-o-y. EBITDA registered at 456 MB, a decrease of -35% y-o-y mainly due to sluggish demand in international markets, including ASEAN outside Thailand. In H1/23, Revenue from Sales of Distribution & Retail business registered at 64,025 MB, a decrease of -3% y-o-y. EBITDA was 547 MB or decreased -51% y-o-y.

Chemicals Business (SCGC)

Higher polyolefins sales volume in Q2/23 compared to the previous quarter due to ROC restart

In Q2/23, the global economic recovery lost momentum from earlier in 2023 when China announced its reopening, resulting in decreased demand growth of most commodities and lower product prices.

Prices of Brent crude oil in Q2/23 decreased \$4/bbl, or -5% q-o-q, to \$78/bbl, pressured by economic concerns and lower global manufacturing activities. Naphtha price decreased by \$88/ton, or -13% q-o-q, to \$601/ton due to numerous cracker turnarounds in the region and new supply from Kuwait refinery.

In the Olefins chain in Q2/23, the average HDPE price decreased by \$49/ton, or -5% q-o-q, to \$1,036/ton, while HDPE - Naphtha spread increased by \$38/ton, or +10% q-o-q, to \$434/ton as a result of limited supply from several maintenances and lower naphtha. Average PP price decreased by \$92/ton, or -9% q-o-q, to \$977/ton, and the average PP - Naphtha spread slightly decreased by \$4/ton, or -1% q-o-q, to \$376/ton due to ample supply (mostly from China) and weak capital goods demand.

SCGC sold approximately 417,000 tons of polyolefins products (PE and PP), which sales volume increased +7% q-o-q, while decreased -2% y-o-y. In H1/23, sales volume decreased to 806,000 tons or -13% y-o-y.

In the Vinyl chain in Q2/23, average PVC prices decreased by \$64/ton, or -7% q-o-q, to \$818/ton, and average PVC-EDC/C2 spread dropped by \$132/ton or -29% q-o-q to \$317/ton due to lower global construction activities, resulting in higher inventory. PVC sales volume in Q2/23 dropped -9% q-o-q to 179,000 tons. In H1/23, sales volume decreased to 376,000 tons or -10% y-o-y.

In Q2/23, SCGC's Revenue from Sales registered 48,755 MB, representing an increase of +4% q-o-q from higher polyolefins sales volume, following ROC restart, while dropped -27% y-o-y. EBITDA was 5,972 MB, an increase of 3,527 MB q-o-q which was mainly from the dividend contribution from associates, while dropping -40% y-o-y. EBITDA from Operations was 2,669 MB, an increase of 14% q-o-q due to higher sales volume from ROC restart and HDPE - N spread recovery, but declined -39% y-o-y from lower sales volume. Profit for the Period was 741 MB, a decrease of -45% q-o-q and -80% y-o-y from lower product spread.

Equity income from associates registered 858 MB, a decrease of -10% q-o-q and -40% y-o-y. Inventory loss of in Q2/23 was at 1,841 MB.

In H1/23, revenue from sales was 95,560 MB, a decline of -30% y-o-y from lower product prices. EBITDA decreased -47% y-o-y to 8,417 MB and EBITDA from Operations was 5,005 MB or decreased -44% y-o-y from lower sales volume. In H1/23, Profit for the Period was 2,097 MB or decreased -71% y-o-y from lower equity income as well as lower sales volume and margins.

Financials

Net Debt

Registered at 269,831 MB in Q2/23, an increase of 2,289 MB from Q1/23

Net debt registered at 269,831 MB in Q2/23, an increase of 2,289 MB from Q1/23. Net Debt/Equity ratio was 0.6 times (x) in H1/23, which was similar to Q1/23 and last year.

Net finance and interest cost in H1/23 amounted to 4,619 MB, compared to 3,362 MB in H1/22 and 7,523 MB in FY2022. This corresponded to the average cost of interest in H1/23 which was 3.5%, higher than 2.6% in H1/22 and 3.0% in FY2022 amid rising interest rates environment. Approximately 4/5 of SCG's long-term loan has fixed rates.

CAPEX & Investment

16,856 MB in H1/23

CAPEX & Investment in H1/23 amounted to 16,856 MB, of which 47% was from Chemicals, 19% was from Cement-Building Materials, 19% was from Packaging, and 15% was from Others. The spending was mainly due to on-progress construction of Long Son Petrochemicals Complex. CAPEX & Investment in FY2023 is expected to be in the range 40,000 - 50,000 MB.

The H1/23 EBITDA generation of 32,123 MB compares to cash outflow of 30,301 MB (CAPEX & Investments of 16,856 MB, dividend payment of 4,332 MB, interest payment of 6,537 MB and corporate tax of 2,576 MB).

Table 3 - SCG's Debt Profile (MB)

	Q2/23	Q1/23	Q4/22	Q2/22
Short Term	40,808	39,410	36,635	62,199
Foreign	17,505	15,713	15,522	18,136
Baht	23,303	23,697	21,113	44,063
% of Total Loan	11%	11%	10%	19%
Long Term	324,599	322,232	327,611	265,496
Foreign	80,704	77,775	80,952	62,331
Baht	243,895	244,457	246,659	203,165
% of Total Loan	89%	89%	90%	81%
Total Loan	365,407	361,642	364,246	327,695
Cash & Cash Under Management	95,576	94,100	95,402	69,389
Cash and cash equivalents	47,850	38,743	57,530	44,447
Investment in short-term debt securities	37,752	47,230	32,329	22,725
Investment in debt securities (Private funds) and fixed deposit more than 12 months	9,974	8,127	5,543	2,217
Total Net Debt	269,831	267,542	268,844	258,306

SCG's Financial Ratios

	Q2/23	Q1/23	Q4/22	Q2/22
EBITDA on Assets (%)	6%	6%	7%	9%
EBITDA on Assets (%) (excluding projects under construction)	7%	8%	9%	11%
Current Ratio (times)	1.4	1.8	1.9	1.4
Quick Ratio (times)	0.8	1.0	1.1	0.8
Interest Coverage (times)	8.4	5.4	4.5	14.5
Net Debt to EBITDA (times)	5.2	4.7	4.3	3.3
Net Debt to EBITDA (times) (excluding projects under construction)	2.0	2.1	1.9	1.5
Net Debt to Equity (times)	0.6	0.6	0.6	0.6
Debt to Equity (times)	1.1	1.0	1.0	0.9
Return on Equity (%)	7%	8%	6%	9%

Note: Net Debt = Total debt (interest bearing), less cash and cash under management
EBITDA = Earnings before interest, tax, depreciation & amortization, plus dividends
EBITDA on Assets = Trailing-12-month EBITDA, to average Total Consolidated Assets
Current Ratio = Current assets, to current liabilities
Quick Ratio = Cash + short term investments + receivable, to current liabilities
Interest Coverage = EBITDA, to interest expense
Net Debt to EBITDA = Net debt, to Trailing-12-month EBITDA
Net Debt to Equity = Net Debt, to equity & non-controlling interest
Debt to Equity = Total Liabilities, to equity & non-controlling interest
Return on Equity = Trailing-12-month Net profit, to average total shareholders' equity (not including non-controlling interest)

Table 4 - Statement of Financial Position (MB)

	Jun/23	Dec/22	Jun/22
Total Assets	942,018	906,490	903,137
Current assets			
Cash, cash equivalent and			
Investments in short-term debt securities	85,602	89,859	67,172
Trade and other current receivables	79,246	74,459	94,971
Inventory	83,407	83,162	86,810
Long-term investment	166,309	141,915	139,456
Property, plant and equipment	430,672	425,052	424,620
Total Liabilities	483,280	454,066	435,381
Trade and other current payables	61,724	59,783	76,056
Loans	365,407	364,246	327,695
Total Shareholders' Equity	458,738	452,424	467,756
Total equity attributable to owners of the Company	380,871	374,255	383,481
Non-controlling interests	77,867	78,169	84,275

ESG Performance Update

SCG is committed to achieve the net zero by 2050 and contribute to the global target of limiting the average temperature increase to 1.5 degrees Celsius, in line with international guidelines. To achieve the target, SCG established SCG Net Zero roadmap and has been actively accelerating the business model transformation towards energy transition and takes a proactive approach in risks and opportunities assessment from climate change, which may impact business operations. This approach is aligned with the Task Force on Climate-related Financial Disclosure (TCFD) guidelines, and integrated into the mid-to-long-term business plans and strategy.

Net Zero

H1/23 figure was 14.58 million ton CO₂, which is still on track for GHG emissions reduction target in 2030

Energy security challenges, including fluctuating energy prices influenced by geopolitical factor and the ongoing Russia-Ukraine conflict since 2022 continues to have a significant impact on the global energy market. Disruptions in the supply chain contribute to the increase in energy prices, while the complexity of sourcing materials makes it increasingly difficult to meet the rising demand. As a result, there is a growing global drive for energy transition to tackle these urgent issues. In Thailand, both the government and the business sector have prioritized energy transition along with climate change targets and the country's net-zero goal. The government has initiated the study of policy guidelines for managing energy transition while supporting infrastructure development and promoting clean energy. In response, SCG promptly adjusted the business plan to ensure growth and capitalize on new opportunities arising from the transition by 6 levers; Energy Efficiency, Alternative Fuel, Renewable Energy, Low-carbon Products, Carbon Capture, and Natural Climate Solution.

The key two levers are 1) increasing the proportion of alternative fuels instead of fossil fuels and 2) the proportion of low-carbon products under the Green Choice label which aim to reduce greenhouse gas emissions throughout the entire lifecycle, including encompassing raw material acquisition, production processes, transportation, use, and post-use handling. Offering such products also enables customers to actively participate in reducing their environmental impact that align with the Thailand NDC roadmap for greenhouse gas emissions reduction from the Industrial Process and Product Use (IPPU) sector.

In H1/23, SCG's absolute GHG emissions (scope 1+2) was 14.58 million-ton CO₂. This keeps SCG on track to achieve our 2030 target and is in line with The Science Based Target initiatives (SBTi)'s suggesting that GHG emissions reduce 2.5% per year to be within well-below 2 degrees Celsius scenario.

SCG was able to achieved GHG emissions reduction by increasing the use of alternative fuel such as biomass and Refuse-Derived Fuel (RDF) to substitute fossil fuel. In H1/23, SCG's use of alternative fuel accounted for 22% of fuel use for all business units and 40% for cement operations in Thailand.

Go Green

Green Choice products accounted for 54% of total Revenue from Sales in H1/23

Accelerating the development of low-carbon products under the Green Choice label is one of the key drivers to achieve SCG's net zero target. SCG targets revenue from Green Choice products to account for 2/3 of total sales revenue by 2030. In H1/23, revenue from sales of Green Choice products increased to 137,258 MB, accounting for 54% of total Revenue from Sales.

Increasing a variety of environmentally friendly products is a priority for SCG. In addition to providing consumers with more direct benefits, it enables them to actively participate in caring for the environment and reducing its negative impacts through SCG products. For example, Q-CON Block Class G3 can help reduces house heat and power consumption by 9% as well as greenhouse gas emissions by 0.75 Kg CO₂/square meter/year. Polypropylene block co-polymer (PP block co-polymer) plastic resin for injection molding of products that require strength and impact resistance can reduce energy consumption and reducing GHG emissions per unit of forming process by at least 4%. Corrugated packaging manufactures with at least 15% renewable energy, lowering greenhouse gas emissions and global warming.

Reduce Inequality

SCG has created jobs for over 5,100 persons in H1/23

Since 2022, SCG has been dedicated to create jobs and income security through the development of skills and capabilities, provide education opportunities, and improve well-beings that aims to impact the lives of 50,000 individuals by 2030, with a target of 5,600 persons by the end of 2023. As of H1/23, SCG achieved accumulated 19,371 persons to reduce inequality.

In H1/23, SCG collaborated with various organizations and communities to create jobs for 5,177 persons. This has been achieved by developing the skills and capabilities of the workforce to meet market demands and increasing business opportunities for entrepreneurs and SMEs. The highlight projects are the "Q-Chang" platform creates jobs and skills for 1,334 technicians and households with income generation of 153 MB in total. "Siam Saison" funding for 68 construction materials store owners, contractors, and SMEs to expand operations and increase flexibility. "Siam Validus" Crowd Fund supports the sustainable growth of 859 SMEs in Thailand to have access to funding sources for enhancing liquidity and business growth. The project "Power of Community" generates income and creates jobs for 1,169 persons through 1,152 community products.

Enhance Collaboration

SCG coordinates with various sectors to create a net zero emission model area

SCG coordinates with alliances from various sectors such as the Ministry of Interior, Ministry of Energy, The Federation of Thai Industries, Chamber of Commerce of Thailand, Government agencies in Saraburi province, and Thai Cement Manufacturers Association to create a net zero emission model area. "PPP-Saraburi Sandbox: Low Carbon City" uses the Public Private Partnership (PPP) model to accelerate cooperation from all parties and drive concrete operations. The "PPP-Saraburi Sandbox: Low Carbon City" is modeled as a representative of Thailand, using the low-carbon city model as a use case for reducing greenhouse gas emissions in each sector in accordance with the Thailand NDC roadmap and aim to expand the project to other provinces.

For additional information

SCG Sustainability

<http://www.scgsustainability.com/en/>

Corporate governance

<https://scc.listedcompany.com/cg.html>

Link to ESG Profile (New)

<https://bit.ly/3dLEVVV>